

109TH CONGRESS  
1ST SESSION

# H. R. 4393

To amend the Internal Revenue Code of 1986 to clarify the application  
of section 584(h) of such Code.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2005

Mr. BRADY of Texas introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify  
the application of section 584(h) of such Code.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. CLARIFICATION OF NONRECOGNITION RULES**

4                       **TO TIERED COMMON TRUSTS FUNDS.**

5           (a) IN GENERAL.—Subsection (h) of section 584 of  
6 the Internal Revenue Code of 1986 (relating to non-  
7 recognition treatment for certain transfers to regulated in-  
8 vestment companies) is amended by adding at the end the  
9 following new paragraph:

10                       “(5) TIERED COMMON TRUST FUNDS.—

1 “(A) IN GENERAL.—If—

2 “(i) substantially all of the assets of a  
3 common trust fund is stock in one or more  
4 regulated investment companies,

5 “(ii) at least some of such stock was  
6 received in an exchange described in para-  
7 graph (1)(B) on which no gain or loss was  
8 recognized, and

9 “(iii) the stock described in clause (i)  
10 is distributed by such common trust fund  
11 to participants in such common trust fund  
12 in exchange solely for their interests in  
13 such common trust fund,

14 no gain or loss shall be recognized by such com-  
15 mon trust fund by reason of such distribution,  
16 and no gain or loss shall be recognized by any  
17 participant in such common trust fund by rea-  
18 son of such exchange.

19 “(B) BASIS RULES.—The basis of stock re-  
20 ceived in an exchange referred to in subpara-  
21 graph (A)(iii) shall be determined under para-  
22 graph (2)(B).”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 this section shall apply to distributions after the date of

- 1 the enactment of this Act in taxable years ending after
- 2 such date.

